



## Meeting the Challenge - Digitising Shareholdings

We support the government's drive to abolish paper share certificates. As a leading share registrar, Computershare has been pushing for legislative changes in this area for many years. We also support calls to improve the rights and visibility of investors that hold their shares through banks and brokers. Such reforms would create greater transparency of share ownership and significantly improve communications between issuers and investors.



## Executive Summary

We therefore welcome the efforts undertaken by the government’s Digitisation Taskforce to examine these issues and to consider approaches to deliver the benefits of greater efficiency and improved shareholder rights to UK investors. The Taskforce’s interim report was recently published as part of the July Mansion House reform package.

The interim report offers a set of draft recommendations. These are based on what is apparently incomplete analysis and do not include any cost/benefit analysis. However, we are concerned with the clear direction of the recommendations, which do not fully deliver on the principles set by the government in the Taskforce’s Terms of Reference:

To ensure that the removal of paper certificates does not result in the degradation of the rights of current holders of paper certificates

To provide intermediated investors with a universal right by default to exercise shareholder rights such as voting and receiving company information

To improve transparency for issuers, ensuring they can efficiently communicate with their entire shareholder base, including intermediated investors, and

To provide supporting evidence that the recommended model for digitisation provides net benefits, reduces costs and improves efficiency of communication

The Taskforce’s interim report favours an approach that would deliver on the promise of eradicating paper certificates by taking away shareholders’ right to choose how they hold their shares, forcing them to hold through a nominee. Certificated shareholders would lose direct ownership of their shares as well as the shareholder rights that go with ownership - including being able to vote, attend meetings, ask questions, take part in corporate actions, communicate with the company directly and receive dividends directly.

For intermediated investors, the report simply recommends that all intermediaries must be transparent about whether they offer investor services such as facilitating shareholder voting, and - if so - at what cost. It would set a minimum level of services if the intermediary elects to provide such services, in addition to facilitating two-way communications between issuers and those investors.

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Access to shareholder rights for intermediated investors, and issuer-investor communications, would therefore remain at the mercy of the pricing structures, terms of service, priorities and effectiveness of intermediaries.

Legislative and market reform in this area is overdue. However, there are simpler and less disruptive ways to achieve the government's digitisation policy objectives than to force millions of individual investors into commercial relationships with intermediaries, as the report recommends. We propose that this can be achieved by:

1. Removing all paper certificates and using the existing digital register of members to evidence share ownership
2. Removing remaining paper processes in the market and adopting digitally-driven shareholder communications and transactions
3. Requiring all intermediaries to make basic shareholder rights available to their clients, at disclosed costs
4. Requiring intermediaries to respond to issuer disclosure requests in a timely, standardised and digitised manner.

The Taskforce proposals risk 'levelling down' the rights of direct shareholders while also not 'levelling up' rights for intermediated investors. In this paper, we present an alternative approach that draws on our extensive experience of this issue, with internationally-tested solutions to deliver tangible reforms to the UK systems for shareholder administration, removing paper certificates and empowering investors who hold through a nominee; while allowing shareholders to retain the choice over whether their own name appears on the company's share register or if an intermediary holds their shares on their behalf. This is a right that UK shareholders have always enjoyed and one that is equally valued in other highly developed capital markets, including the US, Hong Kong and Australia.

## Background

Barriers to an efficient, digital UK securities market have been examined through works such as the UK Listings Review and the Law Commission Scoping Paper on Intermediated Securities. The work of these groups culminated in the recommendations of the 2022 Austin Report on Secondary Capital Raising, which prompted government formation of the Digitisation Taskforce.

The Austin Report called for better facilitation of retail investor participation in secondary capital raising and enhancing the effectiveness of interactions between issuers and their investors, via a range of recommendations including the full digitisation of UK shareholdings. It also identified that the structure of intermediated holdings restricts issuers' visibility of their investors, impairing engagement and the ability of those investors to access and exercise a range of shareholder rights. The Digitisation Taskforce was convened by Government to deliver on these recommendations!

While the majority of UK shares are now dematerialised, a significant number of retail investors choose direct ownership of shares, which under current law requires their holdings to be certificated. This legal requirement drives much of the ongoing paper processing that is gumming up market systems.

Average proportion of registered members held in certificated v CREST form across all UK Computershare clients



The combination of paper processes and the differing legal treatment of registered and intermediated investors has resulted in a two-tiered system where intermediated investors can trade securities quickly and seamlessly while certificated holders face longer transaction times and higher costs. Yet certificated holders have a direct connection to the issuer and seamless access to shareholder rights; intermediated investors face delays in access to rights, or no access at all, and issuers struggle to effectively engage with these investors.

It is clear that change is necessary. Paper needs to be stripped from the system, and intermediated investors need to be 'levelled up' to enjoy more of the benefits received already by those who own their shares directly. The draft recommendations issued by the Taskforce, however, will not deliver this - they degrade the rights of certificated holders and merely codify current service offerings of some intermediaries for intermediated investors. Concerningly, they call for issuers to stop issuing new certificates before a revised model for handling affected shareholders is put in place, a suggestion that will create confusion for shareholders and cost and complexity for the market. This paper therefore proposes **pragmatic** and **effective** solutions that balance the important needs of issuers and investors along with market process efficiency.

### What is dematerialisation?

It's simply representing securities ownership purely in digital form, without paper share certificates. We use 'dematerialisation' here as an established market term. It also distinguishes the ownership model within the overall goal of a fully digitised system, which includes processes outside of recording ownership.

## Measuring Solutions

The Austin Report canvassed several aims for a fully digitised system:



**Analysis:** Enable issuers, investors, and intermediaries to undertake detailed analysis of a company's investor base



**Communication:** Enable efficient two-way communication between the company and its entire investor base



**Equality:** Strive to enable equality of participation in corporate actions, irrespective of company or investor profile



**Simplification:** Reduce cost and complexity for issuers, investors and intermediaries

The Terms of Reference of the Digitisation Taskforce<sup>2</sup> expanded the details of these core goals, and additionally drew out the importance of ensuring that the **rights of existing certificated shareholders are not degraded**, and that a **measured and logical transition** plan is adopted. Solutions must be weighed against these criteria.



## Dematerialisation

The UK has been highly dematerialised since the implementation of the CREST system, operated by Euroclear UK & International (EUI) as the UK's central securities depository (CSD), in 1996. Yet, investors have continued to hold an estimated 8.5m-10m holdings in their own name on issuers' share registers, outside of CREST. This number has remained relatively consistent for years, even as numerous investors have exited and entered company registers over time as their investments vary.

**An estimated 8.5-10m holdings**  
are registered in individual investors' names  
on share registers of UK plcs.

It underscores why **investor choice** is a key feature of UK securities administration infrastructure, with a substantial number of UK investors continuing to value holding direct legal title with the issuer, without being tied to an intermediary, for example to ensure direct access to issuers to exercise shareholder rights, without incurring custody costs to own shares.

The choice evidenced by this sizeable group of UK shareholders is mirrored internationally, where we see shareholders continuing to elect for direct registration of their shares, where that option is available to them, including where the shares are dematerialised. **Shareholders are not choosing paper certificates; they are choosing direct legal ownership**, which includes full access to all shareholder rights provided by law.

### A balanced approach for the UK

The work of digitising the records of share ownership for those 8.5-10m certificated holdings is in fact already done. The paper certificate is prima facie evidence of ownership, required by current law, but the digital register of members maintained for the issuer is already the basis of all recordkeeping and securities transactions.

Therefore, the question now is whether we discard that existing digital record of share ownership, as proposed by the Taskforce, or adapt it as other major international markets have successfully done already, by removing paper certificates and digitising key processes.

There are three general approaches to full dematerialisation of all holdings internationally:

1. Investor choice to hold their shares either through an intermediary at the CSD, or directly outside the CSD, digitally registered in the shareholder's name.
2. Mandating that all securities be held through accounts at the CSD, serviced by intermediaries, but with investors having the option to hold either indirectly via a nominee account or directly in CSD accounts in their own name
3. Mandating that all securities are held at the CSD, with investors holding in nominee accounts via intermediaries

New technologies may over time extend these options but, as the Taskforce acknowledges, they are not yet sufficiently proven to be a prudent choice for near-term market reform.

As we will show in more detail, adoption of either model 2 or 3 would impose new costs and complexities on existing certificated shareholders and reduce investor choice by mandating intermediation. They would require complex and costly transitional arrangements for issuers and certificated shareholders, and impose new ongoing costs for affected shareholders.

Model 1 offers minimum disruption to UK shareholders and issuers, and can be swiftly delivered in a manner that is consistent with the UK's broad and ambitious digitisation strategy. It is a logical evolution that fully delivers on market efficiencies while allowing continuation of investor choice. This is our recommended approach for the UK. The alternatives are damaging to the rights of existing shareholders, and likely to introduce excessive new and ongoing cost and complexity.

### International reach of UK plc

Many UK plcs also list in foreign markets, often reflecting historic international relationships and supporting global employee bases. This internationalisation of UK plcs benefits the UK economy, strengthening the position of companies against their international competitors.

Issuers utilise various arrangements to support their foreign listings and administer their international shareholders, including overseas branch registers. The Investor Choice approach (Model 1 above) would preserve issuers' ability to do this, whilst also substantially enhancing the efficiency of the UK market system.

It is unclear from the interim report how the Taskforce envisages the proposals will affect the various shareholder recordkeeping arrangements

that UK plcs use to support their international investors. However, **the clear recommendation in the Taskforce report that all shares be centralised into nominee accounts within the CREST system raises serious concerns for current international shareholder administration arrangements.** Centralisation into CREST is likely to add significant cost and complexity to the manner in which UK plcs support their foreign listings and shareholders.

### Unresponsive Shareholders

We appreciate that any approach to dematerialisation should consider the position of 'unresponsive' shareholders. Data from our FTSE350 clients show that, on average, 8% of certificated shareholders could be considered formally lost, where the issuer is aware of an event such as being notified that the shareholder has left their registered address, died, or has not cashed dividends for a significant period. Many issuers proactively seek to locate and reunite investors with their assets, using well-established processes.

By contrast, 83% of shareholders exhibit evidence of being actively engaged in relation to their shares by virtue of voting at general meetings, cashing dividend cheques or receiving electronic payments or email communications.

The relatively small remaining balance of the shareholders on the registers contained within our FTSE 350 sample (9%), are relatively inactive regarding their shares and may, potentially, be considered unresponsive (e.g., they have not lodged a proxy vote, cashed a dividend or registered an active email address within a certain period). Dematerialisation communications can serve an ancillary purpose of seeking to re-engage and affirm the status of these holders. This data suggests that the prevalence of unresponsive shareholders is not unduly significant. However, where issuers have undertaken reasonable efforts to reunite shareholders with their assets without success, it is relevant to discuss appropriate options, to avoid assets remaining unclaimed in perpetuity. The Taskforce's interim report suggests several options:

1. sale of the assets and holding the proceeds until a claim is made;
2. sale of the assets and transfer of the proceeds to the expanded Dormant Asset Scheme; or
3. transfer of the assets into a Corporate Sponsored Nominee until subsequently forfeited.

These options present varying degrees of challenge, complexity and potential for shareholder dissatisfaction, but merit further analysis. For example, the forced sale of assets could be

controversial to a claimant that subsequently comes forward. The expanded Dormant Asset scheme is not currently live in the securities sector and there are some difficulties in how it would operate. A Corporate Sponsored Nominee is a regulated service subject to constraints including the FCA's Client Asset Rules. Stakeholders will need to examine the relative merits and agree a balanced path forward, in parallel with the broader initiative to fully dematerialise. In our view, issuers should retain their discretion to determine how best to address their unresponsive shareholders but would benefit from further review of the options and, potentially, the development of recommended market-preferred approaches.

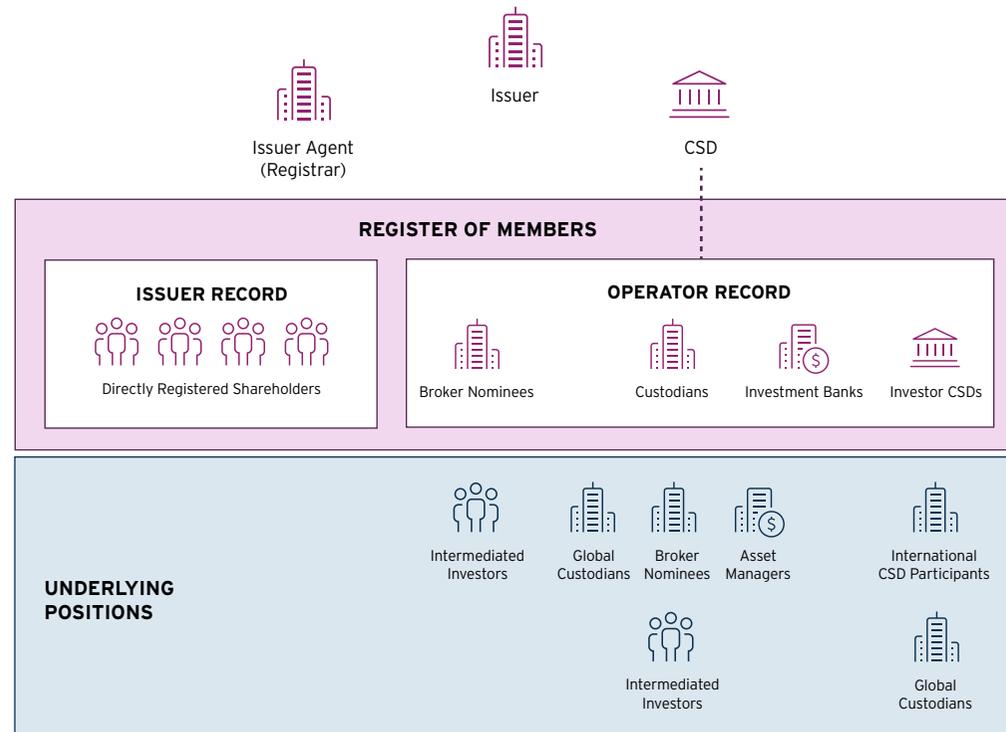
### “Investor Choice” - Digital Register (Model 1)

#### Overview

The government's Terms of Reference for the Taskforce recognised that dematerialisation must not damage the existing rights and benefits of direct registered (certificated) shareholders, while minimising disruption and costs to issuers and delivering real net market benefits. The ‘Investor Choice’ model (see figure 1) allows investors to choose to either hold their securities through nominees, or to be directly recorded as the owner on the issuer's share register.

The Taskforce report dismisses the value of this investor choice, claiming that certificated shareholders have chosen paper not direct registration. Yet, there is strong international evidence of shareholders continuing to choose direct ownership - without paper certificates - and our own extensive experience in working with registered shareholders, who value their rights and choices, contradict this.

Figure 1: Investor Choice Model - Digital Register (International Model 1)



Adopting this approach would minimise market disruption by mirroring the choices available in the current UK model and leveraging existing infrastructure. The existing interface between registrars and the CREST system can readily be streamlined to deliver seamless movement of securities between direct-registered and CREST positions digitally, once paper is eradicated. Securities can move between the two components of the register as easily as happens now between CREST accounts - a frictionless process already implemented in other markets such as Australia.

### Benefits

This is a cost-effective solution, using existing infrastructure such as digital registers of members and the registrar/CREST interface. There would be no change to the legal rights or costs for affected shareholders, such as:

- > No enforced change of ownership
- > Direct relationship with the issuer
- > Ability to directly exercise shareholder rights such as proxy voting, attending shareholder meetings, participating in corporate actions etc
- > No new custody cost for investors just to continue to hold their shares
- > No exposure to the risk of intermediary default

Issuers and shareholders will see further benefits over time, including:

- > Significantly reduced transaction time and costs for shareholders, with highly efficient access to the market systems to trade. This will support the move to T+1; and
- > Cost benefits to issuers from accelerated adoption of digital communications and investor servicing.

### International Experience

Many major international markets use variations of this approach. It is a well-established structure that preserves the ownership rights of shareholders, while supporting process efficiency and digital-first shareholder servicing.

The United States, Canada, France and Australia have all allowed dematerialised directly-registered holdings outside the CSD for decades. Investors there continue to actively exercise their right to hold directly and not via intermediaries. The Republic of Ireland is in the midst of transitioning to full dematerialisation, also facilitating directly registered ownership outside the CSD. A similar model, referred to as the Uncertificated Securities Market, is being implemented in Hong Kong<sup>3</sup>.

### Implementation Requirements

The initial conversion process from the certificated environment should be supported by:

- > facilitative legislation authorising issuers to cancel certificates without recall<sup>4</sup> and without requiring shareholder approval
- > amending current legislative requirements to issue paper certificates and update other related processes (e.g. off-market transfers)
- > agreeing a coordinated market-wide education campaign for all investors and intermediaries on the changes
- > minimising issuer-specific communications, to prevent duplication and unnecessary cost
- > insofar as possible, agreeing best practice to streamline common shareholder requirements such as digital identity or other means to create digital holder records.

This approach will complement and enhance the Government's digitisation strategy. It ensures that there is **no degradation in the ownership and other shareholder rights of (currently) certificated holders** and preserves investor choice, while offering a **simplified** transition that minimises cost and complexity.

## Consequences of Alternative Dematerialisation Models

This section explores the consequences of the alternate models, which require all securities to be held in accounts in CREST, and measures those consequences against the goals for a fully digitised system set by government.

### Optional direct ownership at the CSD - Model 2

Model 2<sup>5</sup> requires all securities to be recorded in accounts at CREST. However, investors would have an option to be directly registered via a personal CREST account, in addition to being able to hold via a nominee account. Although this preserves shareholders' ability to choose direct ownership, it would still force all investors to use an intermediary to administer their ownership position due to access restrictions to CREST, creating costs and legal complexities for shareholders and requiring a complex transitional process for issuers and shareholders.

EUI currently allows for CREST personal membership<sup>6</sup>, however there is little investor participation, at least in part because many CREST participants do not support the option. The fees charged by those participants that do offer personal membership are likely to be prohibitive to the vast majority of retail investors.

The Taskforce report considered and rejected this option, given the limitations of the current service. We agree that it is not a viable solution, for that reason as well as the broader costs. Investors forced to appoint an intermediary - whether as nominee or for personal membership - would face ongoing account administration fees and contractual arrangements just to hold their shares.

### Mandatory intermediated ownership at the CSD - Model 3

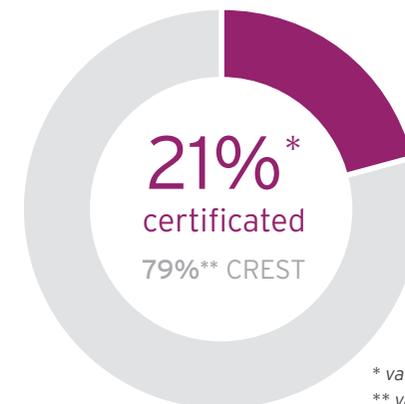
Intermediated ownership at the CSD is of course a common feature in the UK - the majority of securities held via CREST are recorded this way. However, mandating that all UK plc shares are held via nominee accounts in CREST, which is the method preferred by the Taskforce, would require **all** existing certificated holders to transfer their share ownership to their appointed intermediary (see figure 3).

Mandatory centralisation in the CSD is a common feature of European markets. Implementing this in the UK would remove investor choice while imposing new costs and legal requirements on shareholders, who would lose direct share ownership and access to all shareholder rights. It would also require a complex and costly transition

process for issuers. Specific legislative action would be necessary to remove investors' existing ownership and shareholder rights. We question the basis for such a drastic action.

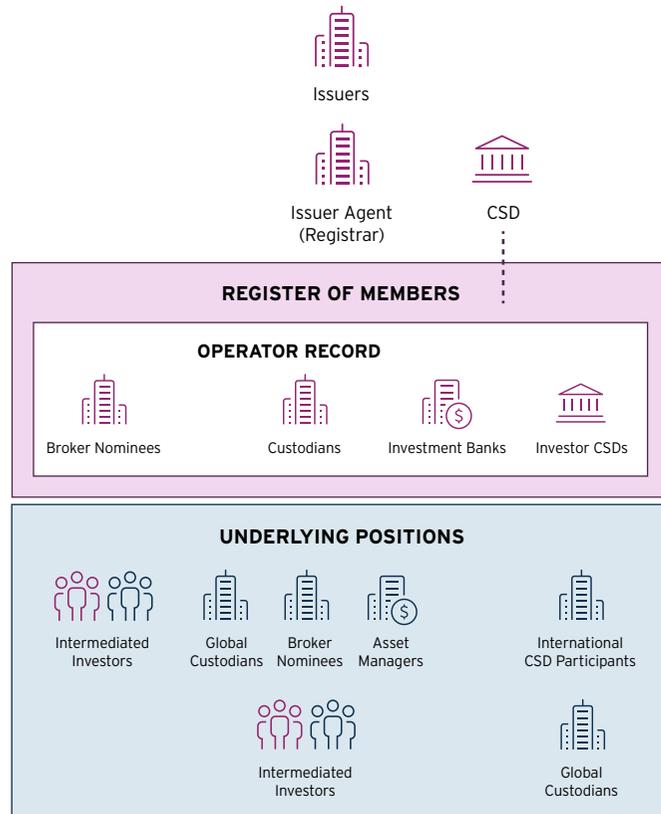
While some nominees may waive account-keeping fees based on investor profiles, this is not universal and nominee accounts typically trigger investor cost. Investors also face some risk to their assets in the event of failure, e.g. through insolvency, of their intermediary. Due to the risks of custody, the intermediated system is a regulated environment, prompting compliance requirements between nominee and investor, and adding to intermediary costs such as capital adequacy requirements.

Average proportion of the Issued Capital of UK Computershare clients held in certificated v CREST form



\* valued at £533m  
 \*\* valued at £12.7bn

Figure 3 - Mandatory Nominee Model



Not all shareholders may be able to appoint a nominee. Some will be inhibited by the cost, particularly for small holdings; and those resident in certain overseas jurisdictions (across our FTSE 350 clients this represents approximately 20% of certificated shareholders) may face regulatory barriers to obtaining such services, which don't exist when holding shares directly on the register. Use of an interim - or even longer term - 'company sponsored nominee' for such investors (where the issuer pays for the nominee services rather than the investor) would add to issuer costs without necessarily resolving all regulatory barriers to investor participation.

The transition of all 8.5-10m currently certificated holdings to nominee accounts would require:

- > An unprecedented mobilisation campaign to explain the change to existing shareholders and encourage action
- > each shareholder to select a nominee and complete all account opening processes and share transfer requirements, including locating associated share certificates and arranging indemnification for any that are missing
- > issuers to undertake a full transformation of their register of members, transferring ownership from each shareholder to their individually-nominated nominee. In our experience, the cost of this will be significant, particularly for issuers with larger shareholder bases.
- > arrangements for handling of shareholders who do not or cannot appoint a nominee
- > if issuers are expected to operate a company sponsored nominee to facilitate transition into this intermediated arrangement, they will incur additional cost
- > a complex conversion process coordinated between issuers, registrars, shareholders, their selected intermediaries and EUI, to move securities to the new CSD accounts.

Overall, this model would impose up-front and ongoing costs and complexity on the affected 8.5m-10m shareholders; and high up-front costs and significant complexity to issuers, with little tangible benefit.

### New technologies

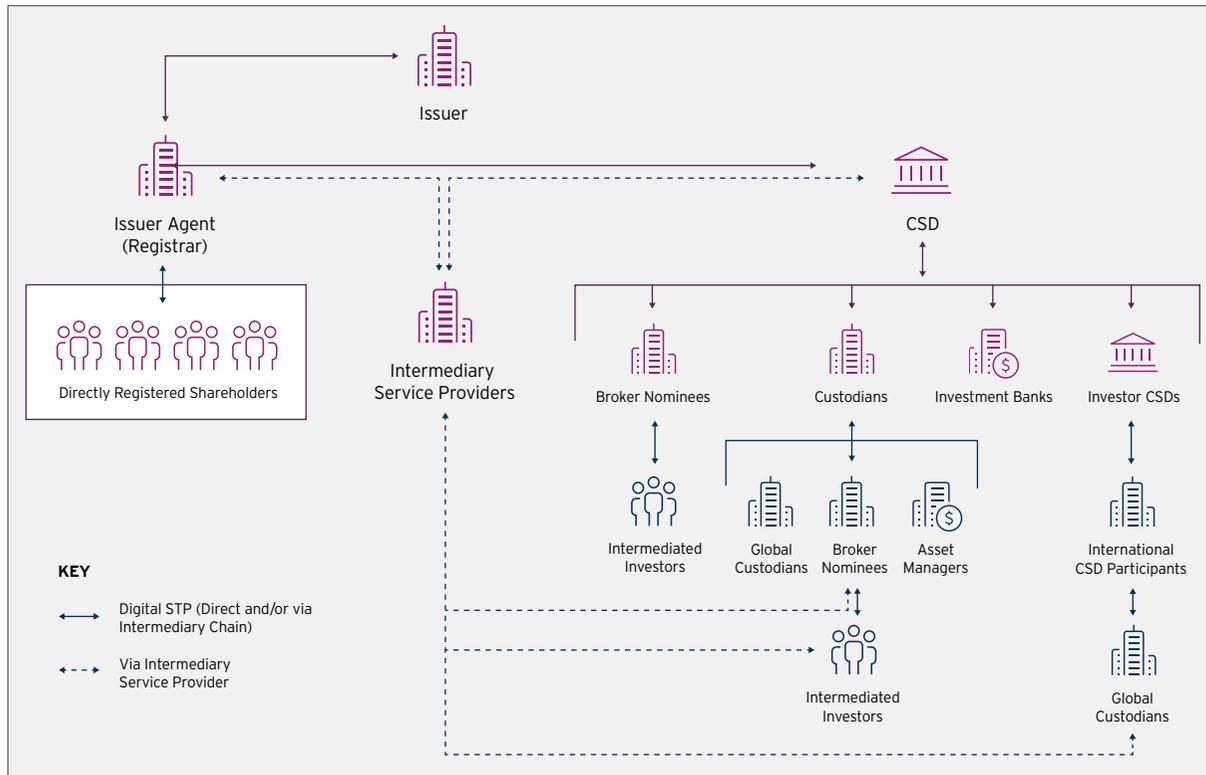
Market participants continuously experiment with new technologies, including current efforts with distributed ledger technology (DLT). Support for innovation via initiatives such as the FMI Sandbox is valuable, to help find new ways to resolve points of market friction. However, while there are various pilots underway, with some showing promise, a full market reconfiguration using DLT for securities market infrastructure has not yet been successfully delivered. We welcome the Taskforce's recognition of this.

It is essential that the UK market agree on the fundamental principles of how best to deliver shareholder and issuer rights, within a resilient, secure and efficient market infrastructure. Stakeholders can then consider effective options for delivery. Allowing scope for market-driven solutions to deliver on the policy goals will also support continued evolution in technological infrastructure over time, facilitating continued innovation.





Figure 5 - Communication Flows with Registered and Intermediated Investors



Technology and increasing interconnectivity is already supporting growth in servicing of retail investors. Market players are expanding services into new aspects of facilitating retail investors, such as voting and meeting platforms, IPO subscription and capital fundraising platforms.

Our proposed approach balances the demand for access with the costs incurred, delivering **equality** in access to rights while respecting **investor choice** to be intermediated. Those investors that want to access these rights would have a clear capacity to do so. This will particularly benefit retail investors. Facilitative legislation can support this arrangement by establishing the baseline requirements while allowing scope for market-driven service delivery.

We agree with the Taskforce's call for transparency by intermediaries regarding their service level and costs. However, our proposal goes a step beyond the Taskforce recommendations to introduce intermediary-facilitated access to basic shareholder rights. In our view this is necessary to deliver on the government's goals.

### Transparency of beneficial owners

UK issuers have a well-established legal right to transparency of all beneficial owners yet lack a timely, efficient and cost-effective mechanism to enforce it. We propose that the existing issuer legislative right to disclosure of beneficial ownership on-demand be reinforced by baseline requirements for a digital request and disclosure process.

Issuers do not require continuous real or near-real time transparency - most issuers will seek to identify their owners at specific times during the year to facilitate engagement activities and conduct analysis on an on-demand basis. Issuers rarely seek to identify all beneficial owners, commonly setting ownership thresholds to manage cost while maximising the benefits of engagement.

Disclosure requests should be passed through custodial ownership chains by intermediaries<sup>8</sup>, with the last intermediary controlling the account of the ultimate beneficial owner responding directly to the issuer or their agent. Each party should be required to act within set timeframes, delivering an expeditious result for the issuer. A recent UK pilot demonstrated that a custodian could disclose underlying beneficial accounts within 30 mins of a digital request (a process that currently takes many days to process).

An obligation imposed only on CREST participants will not sufficiently penetrate the ownership chain, particularly cross-border, to deliver meaningful change for issuers. Multiple market solutions for shareholder identification are already being implemented by service providers. This market-based development should be guided with a baseline framework but left sufficient scope to innovate and evolve.

## Digitisation of Shareholder Communications

Dematerialisation must be partnered with further steps to eradicate residual paper-based transactions, for both intermediated and registered shareholders. Laudable steps have been taken over the last 15-20 years to increase the level of digital interaction, where legislation does not mandate a physical process, yet we agree that much more can be done. The following table shows some key areas of progress for registered shareholder administration for our FTSE100 clients:

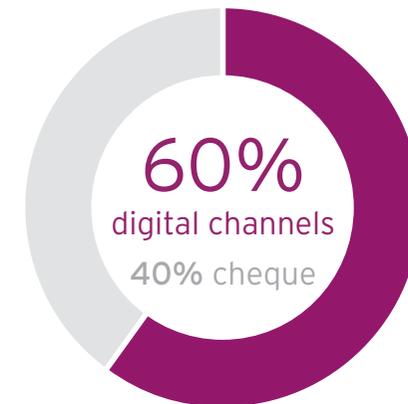
Holders with email addresses who receive all permitted communications digitally	23% (up from 16% in 2020)
Shareholders that are deemed to have consented to web-based communications	65% (up from 63% in 2020)
Shareholders receiving digital dividend payments	60%
Investor usage of our proprietary web portal to administer their shareholdings	Up to 33% of shareholders on our client registers already have active accounts.
Hybrid AGMs	40% of issuers in our sample data facilitate remote participation by shareholders
Digital Proxy Appointment (voting) channels	55% of voting instructions (by number) are received through digital channels, representing 95+% of voting capital

Proportion of proxy appointment instructions from shareholders via online and physical methods across Computershare's FTSE 350 clients



\* Expressed as a percentage of voting capital this would be 95%+

Proportion of shareholders receiving payments by online versus physical methods across Computershare's FTSE 350 clients



Supportive legislative changes, such as defaulting to opt-out e-communications, will provide a significant boost to the transition, with appropriate protections for those shareholders who genuinely cannot access digital information. Further areas to focus on include:

- > Digitising all shareholder transactions, following removal of paper certificates. Any transaction now requiring the surrender of a paper certificate should be able to be digitised, supported by appropriate security measures - e.g. off-market transfers, takeover acceptances.
- > Mandating digital payments - The vast majority of UK dividends are already paid to shareholders electronically. Our clients are increasingly looking to go further, updating Articles of Association to remove the option of a cheque. Mandating this is a logical next step.
- > Efforts to use digital channels for registered holders to participate in corporate actions are already progressing. Where digital channels are made available, we see strong take up. Digital servicing should become the default, with paper only permissible for those unable to otherwise participate.

In a 2020 Rights Issue undertaken by a FTSE100 client, 53% (£24m in value terms) of the 48,000 applications were received through an online application and payment portal, 42% (£17.6m by value) were received by paper with cheque payments, and the remaining 5% (£1.9bn in value terms) were received through CREST.



**65%**

of shareholders are deemed to consent to web-based/digital communications across our FTSE 350 clients, up from 63% in 2020.



**23%**

of shareholders with an email address recorded to receive digital communications across our FTSE 350 clients.

## Summary

We have sought to lay out a pragmatic yet ambitious path for rapid digitisation of securities administration in a logical, safe and measured manner. This progressive approach can deliver tangible market benefits, reducing cost, improving transactional timeliness, providing certainty and future-proofing the market for initiatives such as accelerating securities settlement to T+1 or even T+0.

We will continue to work with our clients, their shareholders and the market to deliver the finally-agreed changes to shareholding administration. Yet we urge all stakeholders to carefully consider the principles laid out by the government in commencing this vital round of reform. We must collectively ensure that the changes deliver real, tangible benefits and protections to shareholders and issuers, and enhance overall market efficiency.

## Footnotes

<sup>1</sup> We note that related work on market structure is being undertaken by the LSE-formed UK Capital Markets Industry Taskforce, and that DBT and the FCA are also tasked with implementing various other recommendations from the Austin Report.

<sup>2</sup> [Digitisation Taskforce - Terms of Reference - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/612212/2020-07-27-Digitisation-Taskforce-Terms-of-Reference.pdf)

<sup>3</sup> [USMCP\\_2020\\_EN.pdf \(hkex.com.hk\)](https://www.hkex.com.hk/USMCP_2020_EN.pdf)

<sup>4</sup> For example, the Australian market successfully converted to full dematerialisation without requiring certificates to be recalled, via a comprehensive market communication programme. This approach is also consistent with UK market practice for major capital transformations, where certificates are not recalled.

<sup>5</sup> This model is common in Nordic markets. The Australian and French CSDs also provide this form of account structure at the CSD, but do not mandate that all securities be held at the CSD.

<sup>6</sup> Personal memberships (aka sponsored membership) allow private investors to have their names appear directly on the Operator Record component of the register of members, within CREST. This is achieved through the appointment of an existing CREST participant as their sponsor and through whom any transactions and securities settlement would need to be conducted.

<sup>7</sup> For example, see the services implemented in this space by providers such as Proximity and Broadridge.

<sup>8</sup> Current disclosure processes require each level of ownership to respond iteratively to the issuer or their agent to disclose the party for whom they control the securities position. The issuer/agent must then send the disclosure enquiry to that party, who responds back, and so on. A daisy-chain process would expedite disclosures considerably by allowing each intermediary to pass on the disclosure enquiry to their client, where they know that party is not the ultimate beneficial owner.



### **About Computershare Limited (CPU)**

Computershare (ASX: CPU) is a global market leader in transfer agency and share registration, employee equity plans, mortgage servicing, proxy solicitation and stakeholder communications. We also specialise in corporate trust, bankruptcy, class action and a range of other diversified financial and governance services.

Founded in 1978, Computershare is renowned for its expertise in high integrity data management, high volume transaction processing and reconciliations, payments and stakeholder engagement. Many of the world's leading organisations use us to streamline and maximise the value of relationships with their investors, employees, creditors and customers.

Computershare is represented in all major financial markets and has over 14,000 employees worldwide.

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